a band, coupled with the ability to intervene as and when necessary. The overall approach to the management of India's foreign exchange reserves takes into account the changing composition of the balance of payments and 'liquidity risks' associated with different types of flows and other requirements. Excess volatility in foreign exchange markets is contained through intervention as and when necessary and followed up by sterilisation of liquidity through issuance of treasury bills/dated securities under the Market Stabilisation Scheme.

Lender liability bill

227. SHRI MAHENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government are considering to bring legislation called Lender Liability Bill to fix lending terms and conditions and crack down on unfair recovery means adopted by some private banks in the country;

(b) if so, the details thereof;

(c) whether the proposed legislation would cover hidden charges levied by these banks on the lender and also crack down on banks who sit on no due certificates;

(d) what legal action Government took on the banks who resorted to recovery of loans by force using goons and extra-constitutional authority; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Government has not received any such proposal from Reserve Bank of India (RBI).

(b) and (c) Do not arise.

(d) and (e) In the Mid-Term Review of Annual Policy Statement (dated October 30, 2007), RBI has observed that in view of the rise in the number of litigations against banks for engaging recovery agents in the recent past, it is felt that the adverse publicity could result in serious reputational risk for the banking sector as a whole. RBI has urged banks to follow prescribed specific considerations while engaging recovery agents and has clarified that complaints received regarding abusive practices followed by a bank's recovery agent would invite serious supervisory disapproval. RBI would consider imposing a temporary ban (or even a permanent ban in case of persistent abusive practices) for engaging recovery agents on those banks where strictures have been passed/penalties have been imposed by a High Court/Supreme Court or against its Directors/Officers with regard to the abusive practices followed by their recovery agents.

Infrastructure development projects

228. SHRI S.S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) the details of proceedings taken place, if any, towards implementation of the proposal of funding infrastructure development projects in India by borrowing a part of the foreign exchange reserve from RBI, envisaged in paragraph 97 of the Finance Minister's budget speech for 2007-08;

(b) the details about the origin of constitution of the Deepak Parikh Committee giving details of other constituents thereof;

(c) the salient details of other/alternative recommendations, if any, made by the said Committee;

(d) the reasons for opting for the particular recommendation by Government, as is mentioned in the budget speech; and

(e) the time-frame and road-map for its implementation?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) A meeting was held on July 10, 2007 under the chairmanship of Finance Secretary in which Secretary, Financial Sector and Deputy Governor, RBI were also present. In the meeting the possibility of refinance route and investment route, the possible structure of the SPV, the location of the SPV, the issue of government guarantee and the issue of cost of borrowing were discussed. It was decided that the SPV would be non deposit taking wholesale bank. It was also agreed that it will be located in a well regulated jurisdiction like Singapore or London subject to the approval of RBI. The issue whether to follow the refinance route or the investment route is under discussion between the Ministry of Finance and RBI.

(b) The origin of the committee has its genesis in the enormous amount of funds needed in infrastructure sectors in the next five years and the acceptance of the fact that Government alone cannot provide finance of that magnitude. To look into the systemic constraints involved in private financing of infrastructure, establishing a committee was envisaged. Besides Shri Deepak Parekh the other constituents of the committee are:

(i) Shri T.S. Bhattacharya, Managing Director, SBI

(ii) Shri S.S. Kohli, Chairman & Managing Director, IIFCL

(iii) Shri Rajiv Lall, Managing Director and CEO, IDFC Ltd.

(iv) Mrs. Chanda Kochhar, Deputy Managing Director, ICICI Bank Ltd.

(v) Shri Sanjay Nayar, CEO-India, Citigroup

(vi) Shri Hemendra Kothari, Chairman, DSP Merrill Lynch.

(c) Other recommendations of the Committee are related to:

(1) Removal of TDS on Corporate Bonds

(2) Reduction and uniformity in stamp duty on issuance of debt instruments and on securitization transactions

(3) Allowing repo transactions on corporate bonds in inter-bank repo market through a specialized clearing and settlement platform

(4) Consolidation of Privately Placed Bonds

(5) Regulatory asymmetry between loans and bonds

(6) Introduction of credit derivatives

(7) Harmonizing the definition of Infrastructure

(8) Liberalizing investment guidelines for debt instruments

(9) Relaxing Dividend payment history as a consideration for equity investment by insurance companies

(10) Rationalization of RBI's guidelines on securitization in line with international best practices

(11) Modifying NBFCs' exposure norms

(12) Exemption of lending to step down subsidiary from group exposure limit

(13) Revision of take out financing guidelines issued by RBI

(14) Allowing banks, FIs and NBFCs to raise long term resources (say minimum 10 years) from overseas market

(15) Giving investment in unlisted equity capital of infrastructure companies the same tax treatment as listed equity investment

(16) The criteria applied to venture or private equity funds to qualify as bidding partners should be uncommitted investible funds managed by these entities and available for deployment.

(d) and (e) Considering the fact that India has foreign exchange reserve and there have been recommendations from various institutions and experts to utilize the same for infrastructure building, the Government's intention to examine the legal and regulatory aspects of this particular recommendation of the Deepak Parekh Committee Report was stated in the Budget Speech. The other recommendations of the Committee are under consideration. The time-frame and roadmap for the implementation of this recommendation will be announced once a decision is taken on the modalities by Government in consultation with RBI.

Mutual Fund Industry

229. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that for inspections of Mutual Funds (which industry is having assets under management of around Rs. 4,89,000 crores), Securities and Exchange Board of India does not use its own staff;

(b) whether the Securities and Exchange Board of India is using outside agencies for inspections of Mutual Funds;

(c) if so, whether experience in Mutual Funds is one of the criterions of selection of such agencies; and

(d) what is the surveillance mechanism used by Securities and Exchange Board of India for Mutual Fund Industry?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Yes, Sir.

(b) Inspection of Mutual Funds is undertaken by RBI empanelled Statutory Central Auditors of public sector banks/All India Financial Institutions.

(b) Experience in financial sector auditing is one of the inputs in the decision making process for such selection.

(d) In addition to inspections, Securities and Exchange Board of India gets reports from the Trustees and the Asset Management Companies of mutual funds.

Ailing Regional Rural Banks

230. SHRIMATI SUPRIYA SULE: Will the Minister of FINANCE be pleased to state:

(a) whether Government have decided to provide Rs. 1850 crore package to 29 ailing Regional Rural Banks;

(b) if so, what are the main points required to address this package;